
by Hans-Hermann Hoppe


In his comment on my paper, Professor Benegas-Lynch, Jr., accuses me first of obscuring the nature of government by introducing the distinction between private and public government, and he then proceeds to provide empirical evidence in order to refute my claim concerning the explanatory (and predictive) power of this distinction. The first criticism can be disposed of quickly, as it shows merely a less than careful reading on B-L's part. The second criticism deserves to be treated in more detail, for it reveals a fundamental misconception regarding the role of theory (economics) and history within the social sciences.

As for the first charge, it only needs to be pointed out that in the very first sentence of my paper, the nature of government (the state) is unequivocally spelled out: government is a coercive, exploitative institution (the very antithesis of private property and free markets); and the third part of my paper, on the idea of a ‘natural order,’ makes clear that I am not a defender of any form of government, whether private or public, but of ordered anarchy (or autogovernment, as B-L prefers to call it). How B-L, then, can possibly claim that my use of the term private government insinuates "that government is the result of private, i.e., voluntary, agreements" is beyond me. The purpose of my distinction between private and public government was not to obscure the nature of government as a coercive institution, but to provide an analytical tool for the comparative analysis of such coercive institutions.

The same elementary confusion as to what my thesis is is displayed when B-L raises the concern that my arguments in favor of private government (as compared to public government) seem to imply "an argument in favor of slavery." They do not. Rather, they imply that 'private slavery', as it existed, for instance, in the ante-bellum USA, is preferable to 'public slavery,' as it existed, for instance, in the former Soviet Union. Yet from this proposition it does not follow that one is in favor of slavery. What it implies is merely that if one had no choice but to be a slave, one would rationally prefer to be a private rather than a public slave. The proposition does not deny in the slightest that it may be - indeed is - even more preferable to be no slave at all, whether private or public. It is a proposition concerning the comparative analysis of ‘second bests' and the choice between the lesser or greater of two evils.

The same holds true for government. Just as the distinction between private and public slavery is meaningful and of apparently great explanatory power in analyzing the evil institution of slavery,\(^1\) so it is claimed that the distinction between private and public government is meaningful and of great explanatory power in analyzing the evil institution of government. The distinction between private and public government, and the arguments advanced in my paper in favor of private government, imply nothing favorable whatsoever about government. They only imply that if one had no choice but to be exploited by a government, one should prefer to be

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exploited by a private rather than a public one.

As for B-L's second and main criticism - that history refutes my theory of comparative government - it is not surprising that such a charge is brought at all, but that it should be made by B-L. For B-L, to his credit, is not an adherent of the 'orthodox' positivist-falsificationist research methodology, according to which all economic laws are hypotheses, forever subject to empirical testing. Instead, as B-L knows, economic laws claim to be non-hypothetically - apodictically - true empirical propositions ('praxeo-logical' laws); hence, it would be a categorical mistake to think of them as ever being 'confirmed' or 'falsified' by historical experience. Experience and history can only illustrate, but never prove or disprove, economic laws. To thus claim apodictic status for economic laws does not imply claiming infallibility, however. It only implies that an economic theory can only be attacked and possibly refuted by another non-hypothetical argument (just as logical and mathematical arguments or proofs can only be refuted by other logical and mathematical arguments, and not by empirical counterexamples).

The law of demand, for instance, - that more (less) will be bought if the price is lowered (raised) - is not subject to testing whenever someone raises or lowers the price of his goods or services. If the price of milk is lowered and more milk is bought, this does not confirm the law of demand; and if the price is lowered and less milk is bought, this does not falsify it. Rather, the first experience illustrates something that can be known to be true independent of any illustration and experimentation; and the second experience illustrates that the ceteris paribus clause, which is part of all economic laws, must have been violated and is then non-hypothetically explained by the same law of demand as the result of a change (drop) in the demand for milk. That no price or price change and no quantity bought can possibly establish or refute the law of demand, however, does not make this law empirically meaningless (empty) or arbitrary and immune from all criticism. The law has a clear empirical meaning - it states something about real events, and it is constantly applied by us in our own activities as well as in our comprehension and interpretation of the activities of others. Indeed, it is difficult to imagine how someone without any comprehension of the law could possibly survive in society! Nor is this any wonder, because the law of demand can be logically derived from, and finds its justification in, another even more fundamental non-hypothetical empirical law - the law of marginal utility, whereby whenever the supply of a homogeneous good increases by an additional unit of a given size, the marginal utility - the subjective utility attached to a given-sized unit of the good - must fall, because it can be employed only to satisfy a lower ranking goal - of all goals attainable by a unit of this good - than the lowest ranking goal satisfied by a unit of the good if its supply had been one unit less. Thus, if one wanted to refute the law of demand, one would have to demonstrate either that it can in fact not be deduced from the law of marginal utility (plus the assumption of interpersonal exchange), or that the law of marginal utility itself is erroneous in contradicting another even more fundamental law (such that all actions demonstrate subjective preferences). While this has been repeatedly tried, no attempt has been successful, and any future attempt does not appear to have much of a chance of faring any better.

Surprisingly, while B-L seems to know all this, in his criticism of my theory of comparative government he proceeds as if he were a confused positivist who, instead of recognizing history as comprehended by and illustrative of economic theory, considers it its testing ground. Yet to cite counterexamples against my economic theory of comparative government, as B-L does, is just as much of a categorical mistake as to cite counterexamples in an attempt to 'refute' the law
of demand. The theory presented in my paper, too, is a non-hypothetical theory that cannot be established or refuted by historical data. Rather, like the law of demand, it allows us to comprehend the course of history.

Again, this does not mean that the theory may not be criticized or turn out to be wrong. Indeed, in light of the fact that the theory of comparative government is more complex than the theory of demand, more room for criticism and possible error should exist here than there. However, because even the theory of comparative government is quite simple, it should be difficult to refute. The theory essentially rests on just three empirically meaningful (applicable) assumptions and distinctions: the assumption of a government as a territorial monopolist of coercion and exploitation, and of government subjects as the victims of government action; the assumption and distinction between a privately (exclusively) "owned," saleable and inheritable monopoly of exploitation on the one hand, and a public, unsaleable and uninheritable monopoly of exploitation run by "caretakers" instead of owners on the other; and the assumption of self-interest on the part of the exploiting government agents and that of their exploited subjects (government agents prefer more wealth, income and power over less, and their victimized subjects prefer more wealth, income and freedom - the absence of power - over less). From these assumptions, the theory deduces essentially one fundamental conclusion: that \textit{ceteris paribus} a government "owner" will have a lower degree of time preference and be more interested in the preservation of capital values, and hence exploit comparatively less, than a government "caretaker." This conclusion is neither new nor revolutionary, and it appears almost as straightforward as the conclusion that a private slave "owner" will take better care of his slave than a public slave "caretaker." If he wanted to criticize my theory of comparative government, B-L would have to demonstrate an error in this conclusion or its premises. He does nothing of this sort.

To be sure, B-L writes that "incentives [in government and in markets] operate differently and so do the characteristics of the processes that take place in both cases." But this is merely an assertion, not an argument. One would like to hear why and how this would affect our conclusion! Of course, government agents and market participants operate under different incentive structures. Government agents (and slave owners) may engage in coercive acts, and they can increase the resources or resource uses under their own control at the expense of a corresponding loss of resources or resource uses under the control of others. Market participants, in contrast, are precluded from all coercive activities, and they can increase the resources or resource uses at their disposal solely by either producing more (without thereby affecting the supply of resources at the disposal of others) or through voluntary trade (by increasing simultaneously the supply of goods of others). However, \textit{this} difference in the incentives facing government and non-government agents has never been in dispute. Its recognition is apparent in my paper literally from the first to the last sentence. What B-L would have to show is that, \textit{given} this difference, the distinction between private and public ownership cannot be applied to non-coercive and coercive institutions alike, and that the incentives introduced by this distinction lead to fundamentally different results outside of government than within it. In my paper it is maintained that the incentives produced by the distinction between private vs. public ownership are always the same: outside of government, within a market society (a natural order), private resource ownership is more productive than a public management of the commons; and within the framework of government (or slavery), even though it is not strictly speaking \textit{productive}
(because every government or slavery, in any form, parasitically draws on existing wealth rather than contributing to its production), private ownership is comparatively less unproductive and less destructive of wealth formation than a system of public government (or slavery). In contrast, B-L would have to take the position that, while outside of government private ownership is more productive than public ownership, within a system of government (or slavery) the same incentives do not operate in the same but in the opposite way, and private ownership leads to more rather than less exploitation and wealth destruction. But B-L presents no arguments to this effect. Nor is it apparent what such arguments might be.

Instead of scrutinizing and criticizing what legitimately might be scrutinized and criticized, B-L treats us to a number of alleged counterexamples to my theory of comparative government - King John of England, Philip II of Spain, Louis XV of France - as well as an abundance of quotes - of Thomas Paine, Thomas Jefferson, James Madison, Alexis de Tocqueville, and John Stuart Mill. What of these examples? Suppose, the law of demand were a hypothesis in need of empirical "testing." In this case, in accordance with positivist-falsificationist (Popperian) strictures, one would want to make every effort to find counterexamples, because scientific progress only comes out of falsification. Seeking confirming examples would have to be considered as an "immunization", as an attempt to slow down progress. As a result, the law of demand would have to be given up as hopelessly false, because literally hundreds of thousands of counterexamples exist (where despite a higher - or lower - price of various goods at various places more - or less - is bought). But suppose, on the other hand, that the law of demand were a non-hypothetically true empirical proposition in need of empirical "illustration." In this case, an entirely different procedure would be appropriate. One would make every effort to select ‘confirming' instances, and one would be interested in ‘disconfirming' examples only insofar as one wanted to illustrate the meaning of ceteris non paribus. The same applies to my theory of comparative government. If it were a hypothetical theory, B-L would be correct in pointing to his examples as contradictory evidence. But because the theory is a non-hypothetical one - section III of my article is revealingly titled "Evidence and Illustrations" (not: Test) - rather than contradicting the theory, B-L's selection of examples actually helps to illuminate an entirely different point: that in illustrating economic theory one must never forget to take the ceteris paribus clause into account. That private property promotes lower time preference and greater farsightedness, for instance, is not contradicted by the fact that there are private property owners who squander or ruin their inheritance. This fact only shows that people with high degrees of time preference exist. That is, other things being equal, if the same people had been the caretakers rather than owners of the same resources, they would have squandered or ruined them even faster.2

Interestingly, at one point, B-L insinuates that it might be me rather than he himself who is guilty of not "appropriately noting the ceteris non paribus" in "comparing remote historic periods." If anything, however, this charge indicates even more confusion. First off, the historical proximity or remotesness of various phenomena has nothing whatsoever to do with the question of whether an economic theory can be applied or not. A theory can be applied, whenever the

2 Thus, B-L's reference to Louis XV and his pronouncement "apres moi le deluge" is completely beside the point. The 20th century gave us John Maynard Keynes and his "in the long run we are all dead." The question is whether high time preference attitudes such as these of Louis XV's or Keynes' are more or less likely under monarchy (private government) or democracy (public government). The answer to this, I submit, is as clear as daylight.
conditions as stated in the theory are fulfilled. The theory of prices or of price controls, for instance, can be equally applied to ancient Rome and to contemporary New York City, to Germans and to Zulus. As well, my theory of comparative government can be applied whenever the conditions for its application are met; that is, whenever a government is in fact privately owned - a hereditary monarchy - or publicly owned - a democratic republic. B-L, one is safe to assume, is not a historian who would deny the existence of universal economic laws; hence, thus far he would probably agree. In this case, his warning can only mean the following: Obviously, no society can be a monarchy and a democratic republic at the same time, just as no society can be simultaneously characterized by the existence and non-existence of price controls. Thus, whenever one wants to illustrate the comparative effects of different - mutually exclusive - institutional arrangements, one must compare different societies or the same societies at different points in time. Thereby, in order to illustrate one's theoretical conclusions, every attempt should be made to compare societies which, apart from the theoretical distinction under consideration, are as similar as possible. It would be an error, for instance, to illustrate my theory of comparative government by contrasting European monarchies with African democracies or African monarchies with European democracies. Since Caucasians have, on the average, a significantly lower degree of time preference than Negroids, any such comparison would amount to a systematic distortion of the evidence. By contrasting European monarchies to African democracies, the theoretically predicted differences between monarchical and democratic rule would become systematically overstated, and by contrasting African monarchies with European democracies, the differences would become systematically understated.

However, not only have I not committed any such blunder - all empirical evidence presented in my paper refers exclusively to European (Western) societies; and if anything I have erred - though unavoidably so - on the side of democracy. In trying to illustrate my theory of comparative government, an earlier period in history had to be contrasted with a later one, for while history provides an example for the transition from monarchy to democracy, no comparable example for the opposite transition from democracy to monarchy exists. This actually implies stacking the cards against monarchy and in favor of democracy: For, as has been indicated in my paper, the development of mankind is marked by a suprasecular trend toward falling time preferences (increased future-orientedness). As a result of increased standards of living, the marginal utility of present goods falls relative to that of future goods. As well, the general life expectancy increases, and this lowers time preference degrees even further and exerts an additional influence in the direction of greater farsightedness and intelligence. In light of this trend which has also been referred to as the "civilizing process" or the "process of civilization,"

3 While this seems obvious, it is not clear that B-L has understood it. For how else could he think it to be a criticism of my theory that "in earlier centuries" monarchs were often quite insecure as regards their position and possessions?! If and insofar as they were, my theory would not be refuted. It simply would not apply! A similar confusion is present when B-L somehow tries to associate dictatorships with my definition of private government. In fact, dictatorships - unlike hereditary monarchies - are examples of public government ownership. The dictator is not regarded, and does not regard himself, as the owner of the country but its popular caretaker. Characteristically, dictatorships, from Napoleon to Lenin, Mussolini, Stalin, and Hitler, relied heavily on democratic policies (mass participation, referenda, and elections). In distinct contrast to Kaiser Germany or Czarist Russia, Hitler's Germany and Stalin's Russia were decidedly democratic republics.


and given that the central prediction of my theory of comparative government concerns the very same phenomenon of time preference which is affected by this secular trend, the historical fact that a vast array of examples for a change from monarchy to democracy exists (but hardly any exist for a change in the opposite direction) implies that the attempt to illustrate the differential effects of private vs. public government will result in an under- rather than an overstatement of their differences: the comparatively favorable evidence presented for monarchical government will actually appear unduly negative because it refers to earlier historical periods, and the comparatively unfavorable evidence presented for democratic government will appear unduly positive because it refers to later historical periods.

In misconceiving the distinct role of theory and history within the social sciences, B-L not only fails to recognize all of this, but he also deprives himself thereby of the sole means of making sense of the course of modern history. Just as someone who does not know the theory of demand must end up in total confusion regarding the phenomena of prices and price changes (of selling and buying), so must the course of modern political history appear as a puzzle without the theory of comparative government. As a result, B-L cannot but end up spouting forth much of the orthodox - statist - view of history. Thus, for instance, he falls victim to the popular but entirely fallacious schoolbook view of the period of European feudalism as a dark age of unlimited royal power. He falls victim, as already noted, to the even more popular ("politically correct") - yet equally false - view associating dictatorships with hereditary monarchies (rather than with democratic republicanism). Most troubling, however, is B-L's mystified view of democracy and democratic politics itself.

This mystification comes to the fore when B-L asks for the reason why democratization - the expansion of the franchise - would involve an increase of government power (rather than a decrease, as he seems to think), and it reaches its peak when he appears to associate democracy with liberty (freedom). As for reasons why democracy is incompatible with liberty and leads to tyranny, if B-L could not find any in my paper, he only had to continue reading the American Founders he so fondly quotes. Whatever their intellectual faults may have otherwise been, they were certainly not democrats. They despised democracy. As John Randolph of Roanoke


8 Thus he writes, that in his view "it is the reigning ideas and not free institutions that account for some of the negative indicators and trends we observe." No disagreement regarding the importance of ideas exists. In fact, section III of my paper explicitly deals with and emphasizes the role of ideas as the ultimate determinants of human history. It is not the importance of ideas that is in dispute, but the differential effects of particular and distinctly different ideas on government - the idea of a hereditary monarchy vs. the idea of a democratic republic. What is in dispute, and where B-L errs, is in the implied statement that the reigning idea of democracy has nothing in particular to do with "the negative indicators and trends we observe," because somehow democratic institutions are "free institutions."

9 See Lord Acton, Essays in the History of Liberty, ch.20; Erik von Kuehnelt-Leddihn, Leftism Revisited, ch.6.
summmed it up, "I am an aristocrat: I love liberty, I hate equality." They understood the human emotion of envy, and they knew that the universal franchise would be the tool by which various changing groups of `have-nots' would constantly vote other, equally changing groups of `haves' out of their property. B-L apparently has never heard of this once, at least in classical liberal circles, familiar argument. Worse, his own characterization of democratic republicanism as a system of numerous "institutional hurdles" and "checks to political power" and hence of "limited power" (and of a hereditary monarchy as a system with no such checks and hence of "unlimited power"), betrays almost total confusion. Under a system of private government, the exercise of power is limited because everyone - except the king - is excluded from "politics," i.e., from grabbing other people's property in the name of the "common good." Everyone except the king is engaged in normal, productive or "economic" activities, including that of holding the royal power at bay. In distinct contrast, under a system of democratic republicanism, the exercise of power is unlimited because no one is excluded from politics. Everyone can try to lay his hands on everyone else's property.\footnote{See Hans-Hermann Hoppe, \textit{Eigentum, Anarchie und Staat} (Opladen; Westdeutscher Verlag, 1987), esp. pp.182-188. The multiplicity of institutional checks and balances typical of a modern democratic republic, which B-L believes to be constraints on the exercise of power, are in fact an expression of the expansion of government power. They are \textit{intra}-government checks and balances, which take the existence of government and the exercise of governmental power from the outset for granted. The existence of a constitution and of a constitutional court, for instance, do not represent limitations on government power. Rather, as part and parcel of the state apparatus, they are institutional vehicles for an expansion of state power. This paper has been first published in Gerard Radnitzky, ed., \textit{Values and the Social Order, Vol. 3. Voluntary versus Coercive Orders} (Aldershot, UK: Avebury, 1997), pp. 393-403.} Accordingly, there will be more politicians and more politics under democratic republicanism. Moreover, as a result of political competition, 'better' politicians - that is, more efficient wielders of power and thus worse enemies of property and liberty - will rise to the top of government. Hence, while a monarchy may not guarantee the rise to power of only "good and wise" rulers and may degenerate into tyranny, democratic republicanism renders it practically impossible that a "good and wise" person can ever rise to the top of government, and virtually assures tyranny.

In light of this insight into the distinct structural-institutional difference between a hereditary monarchy and a democratic republic, the "decisive" challenge posed by B-L can at last be resolved quickly: What if Clinton were to become hereditary king of the U.S.; wouldn't this make matters worse than they are now with him as president? The answer is a decisive No. First off, given Clinton's obviously high degree of time preference, by making him owner rather than caretaker of the U.S. his effective rate of time preference would fall (as high as it might still be). More profoundly and importantly, however, the transition from a Clinton presidency to a Clinton kingship would require substantial institutional changes (for instance, the abolition of Congress and congressional elections, the elimination of the Supreme Court, and the abandonment of the Constitution), and these changes could not possibly be implemented without King Clinton losing thereby most of his current power as president. For with everyone except Clinton and the Clintonistas barred from politics and political participation, and with Clinton installed as the personal owner of all formerly public (federal) lands and properties as well as the ultimate judge and legislator for the entire territory of the U.S., popular opposition against his and his clan's excessive wealth and power would bring his kingship to an end before it had even begun. Thus, if Clinton really wanted to hold onto his royal position, he would have to give up most of the
current - democratic-republican - government's property, tax revenue, and legislative powers. Even then, in light of Clinton's less than exemplary and shining personal history and family background, his United Kingdom of America would almost certainly be faced with an immediate upsurge of secessionist forces all across the country and quickly disintegrate, and Clinton, at the very best, would end up as King Bill of Arkansas.